

To: Wirschafter, Joshua[Wirschafter.Joshua@epa.gov]
Cc: Helmlinger, Andrew[Helmlinger.Andrew@epa.gov]; Kaufman, Craig[kaufman.craig@epa.gov]; Tan, Chrisna[Tan.Chrisna@epa.gov]; Shah, Hiral[Shah.Hiral@epa.gov]
From: Cohen, Adam
Sent: Wed 8/6/2014 11:49:10 PM
Subject: RE: Captive Insurance Request - EPA Region 9 - Leviathan and Yerington Sites
BP Response to EPA Region 9 Questions Final 2 (2).pdf
1403-1214210--Saturn Insurance - 2013FS final signed copy.pdf
ATT00001.htm
removed.txt
Saturn Template Policy Remedial Action 3.pdf

Josh – It's been several months since you sent the email below with questions about the use of captive insurance to satisfy the financial assurance requirements at the Leviathan and Yerington sites. I apologize for the delay, but I am now providing the attached responses to EPA's questions and a copy of the 2013 audited financial statement for Saturn Insurance Inc. **We request that EPA maintain this information as Confidential Business Information.** I'm also attaching my September 18, 2013 email, in which we stated our request to substitute the form of financial assurance and provided a sample copy of a Saturn insurance policy.

We believe these responses fully address EPA's questions and further support the substitution of the existing letters of credit with insurance underwritten by Saturn.

Please review the attached information and then let me know if EPA is ready to proceed. As discussed previously, my understanding of the next steps will be to:

- (1) Modify Paragraph 141 of the Leviathan AOC to include insurance as one of the available forms of financial assurance (the Yerington AOCs already provides for this).
- (2) AR will submit notices to EPA requesting approval to change the form of financial assurance required by the Leviathan and Yerington AOCs from letters of credit to Saturn-underwritten insurance in the amounts specified in the AOCs.
- (3) AR will obtain the insurance policies from Saturn and provide copies to EPA.
- (4) EPA will provide notice to the issuer of the letters of credit authorizing their cancellation.

To avoid the need for another renewal of the existing letters of credit, we would like to complete

whatever steps are necessary to achieve substitution no later than October 1, 2014.

I will follow-up with you next week if I don't hear from you.

Adam S. Cohen

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From: Wirschafter, Joshua [mailto:Wirschafter.Joshua@epa.gov]
Sent: Monday, December 30, 2013 6:07 PM
To: Cohen, Adam
Cc: Helmlinger, Andrew; Kaufman, Craig; Tan, Chrisna; Shah, Hiral
Subject: Captive Insurance Request

Hi Adam,

When last we spoke about Atlantic Richfield/BP's request to switch to captive insurance for financial assurance requirements at the Leviathan and Yerington sites in Region 9, I said I would send you some questions which would help inform our decision. We agreed it would be best to involve both environmental and financial counsel in these discussions. I apologize that it's taken me some time to pull together our questions. Please see the questions below and let me know how you would like to proceed. For some questions, it may be best to provide information prior to a conference call, while others could be addressed during a call. We should set up a time for a conference call. Perhaps the second full week of January? Or I suppose you and I could have a side-bar during the Leviathan TAC conference and pull in other people by conference call.

I'm cc'ing Andrew as the site attorney for Yerington, as well as three of our headquarters

specialists on financial assurance and insurance issues. Also, I have attached an agreement EPA entered into in Region IV for the Cabot/Koppers Superfund Site. To our knowledge, this may be the one agreement where EPA has previously accepted captive insurance as a form of FA. I have referenced in one of my questions below.

Have a good New Year. I look forward to talking to you soon.

Regards,

Josh

Joshua Wirtschafter

Assistant Regional Counsel

U.S. EPA, Region IX

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1. We understand that Saturn Insurance Inc. (Saturn) is wholly owned by BP America, Inc., and that Jupiter Insurance Limited (Jupiter) is a 100% wholly owned subsidiary of BP Corporate Holdings Limited, which in turn is a 100% wholly owned subsidiary of BP p.l.c. Do BP America Inc., BP Corporate Holdings Limited or BP p.l.c. have their own credit ratings? If so, what are the ratings?

2. Are the ratings of Saturn and Jupiter formally reviewed regularly by a rating agency? If so, what is the period of that review (i.e., annually)?

3. Is the rating report to be provided to EPA on a regular basis, with notification within 30 days of a rating or outlook change or of a rating being placed under review?

4. Do Saturn and Jupiter meet their capitalization requirements through investments held in

entities unaffiliated with BP? Do stocks or bonds or other corporate debt instruments of BP-related entities make up a significant part of the capitalization of Saturn and Jupiter? Are there substantial loans or investments between Saturn or Jupiter and other BP-related entities? Do these relationships within the BP companies affect the ability of Saturn or Jupiter to meet their obligations to insureds?

5. What is the magnitude of other environmental liabilities expected to be covered by Saturn policies in the coming years? Does Saturn plan to expand its reserves to cover additional liabilities?

6. How are the reserves of Saturn and Jupiter set aside to handle claims of insureds? How are reserves replenished if/when used?

7. How would FA monies be accessed if needed? What is the claims process? Who handles the claims, what is the process for analyzing claims? What are the claims protocols for seeking approvals to pay claims? Do Saturn and Jupiter actually have experience processing claims? What is the average time it takes to approve claims and make payments?

8. Please provide any examples of agreements using insurance from Saturn or Jupiter to meet FA obligations at other EPA CERCLA or RCRA sites.

9. In the attached Cabot/Koppers Consent Decree, EPA accepted the possible use of captive insurance for a \$55M performance guarantee, subject to certain requirements that go beyond model CD provisions, as stated in Paragraph 44(g) and (h). These requirements include: an additional performance guarantee in a more traditional form for approximately 9% of the remedial costs; quarterly reporting on the financial statements of the defendant and the insurer; and a provision stating that an A- rating would trigger a change in the form of the performance guarantee. Would Atlantic Richfield be willing to include similar provisions in agreements for Leviathan and/or Yerington? If not, how would Atlantic Richfield distinguish these sites?

10. Please provide the most recent financial reports from Saturn and Jupiter.

